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September 12, 2005

Mary Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, Second floor
Boston, Mass. 02110

RE: Comment of Massachusetts Community Action Program Directors' Association, Inc. and Massachusetts Energy Directors Association with respect to

D.T.E. 01-106-B, Increase the participation rate for discounted service,

D.T.E. 05-55, Boston Edison Co. et al., Residential Assistance Adjustment Clause, and

D.T.E. 05-56, Massachusetts Electric Co. et al., Residential Assistance Adjustment Provision

Dear Secretary Cottrell:

This is the Comment of Massachusetts Community Action Program Directors' Association, Inc. (MASSCAP) and Massachusetts Energy Directors Association (MEDA), pursuant to notice dated August 30, 2005. This Comment includes the proposal of MASSCAP and MEDA to expand the scope of issues in the above-captioned proceeding. Finally, this is the motion of MASSCAP and MEDA to consolidate this docket with similar dockets that may be established with respect to Unitil and Western Massachusetts Electric Co. The motion for consolidation is based on the substantial identity of issues raised in each of the dockets.

Because time before the commencement of the heating season is short, and it is therefore urgent that automatic enrollment of low-income discount customers begin as soon as possible, MASSCAP and MEDA suggest that the proceeding might be divided into phases, with the first phase devoted only to the proposed adjustment tariffs (as noticed on August 30, 2005). Thus, item 1

below would relate to the first phase of this proceeding, while items 2-4 would relate to the second phase.

Assure Recoveries Accurately Reflect Reduced Revenues

1. MASSCAP and MEDA support in principle the effort represented by the proposed tariffs, which would track computer-matched low-income discount recipients. MASSCAP and MEDA note that care should be taken to assure that all such tracking mechanisms reflect both participant additions to and deletions from the low-income rate in order to accurately track the loss of revenue. MASSCAP and MEDA submit also that the tracker should cover additions and deletions for any reason, rather than limiting its application to the electronic matching process. In this way incentives will line up with public policy objectives, which are to remove any disincentives there may be to utilities' signing up and retaining customers for the low-income discount. Utilities should be financially indifferent to whether low-income discount customers are added or dropped, via computer match or otherwise.

Promote Arrears Management

2. The low-income rate is growing in importance because of the increased difficulty low-income customers have in paying their utility bills as energy prices continue to soar. The Department has been collecting arrears data from gas and electric utilities since 2003. Filings have been sporadic – there is no consistent period for which all utilities have filed fuel assistance and residential customer data – but there are enough data to show that low-income customers are having significantly greater difficulties in paying their utility bills. For example, the data show the following with respect to 90-day arrears dollars per customer:

- At Massachusetts Electric, peak to trough over the period for which data are filed, fuel assistance customer arrears have more than doubled (up 133%, May 2005 over January 2004), while residential arrears are up significantly but less sharply (up 59%, April 2005 over July 2003).
- At Unitil, combined gas and electric data show that fuel assistance customer arrears quintupled (April 2005 over October 2003) while residential arrears quadrupled (March 2005 over August 2003).
- Similarly, at Bay State Gas, fuel assistance customer arrears rose 161% (September over April 2004) while residential arrears rose less but a still substantial 117% (August over March 2004). At NSTAR Gas, fuel assistance customer arrears skyrocketed 17 times (November over March 2003) while residential customer arrears doubled (June to January 2004).

- Other gas companies report similarly stark facts. At Fall River, residential arrears jumped nine times from September 2004 to May 2005, the last month reported. At KeySpan residential arrears tripled from December 2003 to July 2004. (Neither utility reported fuel assistance customer results. KeySpan arrears are measured as 90-day arrears dollars per dollar billed since KeySpan did not report customer counts.)

Continued energy price increases can only exacerbate these trends. The U.S. Energy Information Administration's August Short Term Energy Outlook (STEO) for our region projected another round of double-digit consumer price hikes this winter – 13% for gasoline, 15% for natural gas, 19% for heating oil (fourth quarters 2005 over 2004). Post-Katrina STEO projections are much worse – increases of 33% (64 cents per gallon), 37%,¹ and 36%, respectively.

MASSCAP submits that additional means of managing the arrears of low-income customers should be adopted in order to protect low-income customers from shut-offs and other customers from increasing levels of bad debt. Experience of utilities in the Commonwealth and beyond demonstrates that there are arrearage management strategies that can simultaneously increase collections while making it easier for low-income customers to pay their bills. Some of the successful strategies include arrearage management programs, including budget counseling, now in effect at certain utilities (notably NSTAR, Western Massachusetts Electric Co. and Unitil – all the electric utilities in the Commonwealth except Massachusetts Electric Co. – as well as at some Massachusetts gas distribution utilities), retroactive application of the low-income discount, and other strategies.

Restore Eroded Value of Low-income Discount

3. As MASSCAP pointed out to the Department in the Default Service docket, D.T.E. 04-115, the low-income discount has been eroded by skyrocketing energy prices. As a result, low-income electricity prices rose 41 percent faster than other residential rates.

The initial 15 percent bill reduction promised by the Restructuring Act has turned into an increase, for low-income customers, ranging from 32 to 47 percent (pre-Katrina). This is because the statutory requirement “that distribution companies provide discounted rates for low income customers comparable to the low-income discount rate in effect prior to March 1, 1998” has so far been interpreted to exclude application of the discount to the

¹ KeySpan says that its advance purchasing will limit this winter's average increase to 19% for its customers. B. Mohl, “Prices will be higher but just be glad you're not in Kansas,” *Boston Globe* at E7-8 (Sept. 10, 2005).

substantial energy price increases that have occurred since 1997. As a result, the value of the low-income discounts for electricity have eroded by as much as 25 percent.

The resolution of this inequity is straightforward: amend Basic Service tariffs to restore the value of the low-income discount to its full value at the time of the passage of the 1997 restructuring act. The discount should continue to be applied to the distribution portion of bills but should reflect the amount necessary to achieve a constant percentage reduction from the entire bill, including the volatile energy portion. MASSCAP estimates that the cost of removing this inequity would be considerably less than a cup of coffee, about 50 cents per month for the average non-low-income residential customer.

Update Low-income Eligibility

4. The appropriate eligibility level for the low-income discount should be revisited given not only substantial increases in utility bills but also the very high and rising housing costs in most of the Commonwealth since the eligibility level was last set at 175% of the Federal Poverty Line (FPL) in 1997. The 175% of FPL level was set when that was the eligibility screen for LIHEAP (fuel assistance). However, because incomes have not kept up with basic housing costs, the LIHEAP eligibility level has been raised to 200% of the FPL. KeySpan then adopted the LIHEAP eligibility level of 200% of the FPL and, MASSCAP and MEDA submit, this level should now be adopted statewide.

As MASSCAP pointed out to the Department in the Default Service docket, D.T.E. 04-115, incomes are lagging way behind housing costs. A Massachusetts minimum wage worker can afford the rent on a two bedroom apartment by working 115 hours a week. Twenty percent of Boston renters pay more than half their incomes for shelter. Between 1998 and 2002, Boston home prices increased 47 percent, four times faster than household incomes. Prices are up 75 percent in the decade from 1994 to 2003. The price of heating oil in Massachusetts is already more than triple the price of January 1999. The price of natural gas in Massachusetts is close to double. But low-income fuel assistance (LIHEAP) is about the same now as it was in 1981. The grant that provided two tankfuls of heating oil now covers only one. In inflation-adjusted, purchasing power terms, the Massachusetts minimum wage has about the same value now as it had in 1980 and is considerably below 175 percent of the Federal Poverty Line.

MASSCAP proposes that the low-income discount eligibility level be raised from its current level – 175% of the Federal Poverty Line (FPL) – to the current LIHEAP (fuel assistance) level, 200% of the FPL.

Motion to Consolidate

The issues raised by all proposals to track low-income discount rate participation, and adjust rates accordingly, are substantially identical: financial neutrality, arrears management, low-income discount rate value, and discount rate eligibility. It would therefore be administratively most efficient to consider all such proposals at the same time. Furthermore, it would be most just to treat all utilities and ratepayers in substantially the same way by adopting uniform guidelines across the state for implementation of low-income discount rates. For these reasons, MASSCAP and MEDA propose that all proceedings considering low-income discount rate adjustment mechanisms be consolidated, at least in order to gather a common record.

Conclusion

For all these reasons, MASSCAP and MEDA respectfully request that the Department consider issues related to the low-income electricity discount rate with a view to:

1. Making utilities financially indifferent to whether low-income discount customers are added or dropped, via computer match or otherwise,
2. Establishing programs to better manage arrears of low-income customers,
3. Restoring the value of the low-income discount rate, and
4. Adjusting the eligibility standard for the low-income rate.

MASSCAP and MEDA further move that the above-captioned docket be consolidated with all other dockets that the Department opens to consider rate adjustment mechanisms that reflect participation in the low-income discount rate.

Please include the undersigned on the service list for any further notices filed in this docket.

Respectfully submitted,
Massachusetts Community Action Program Directors' Association, Inc.,
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By their attorneys

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Cc:

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